

Oil Monitor

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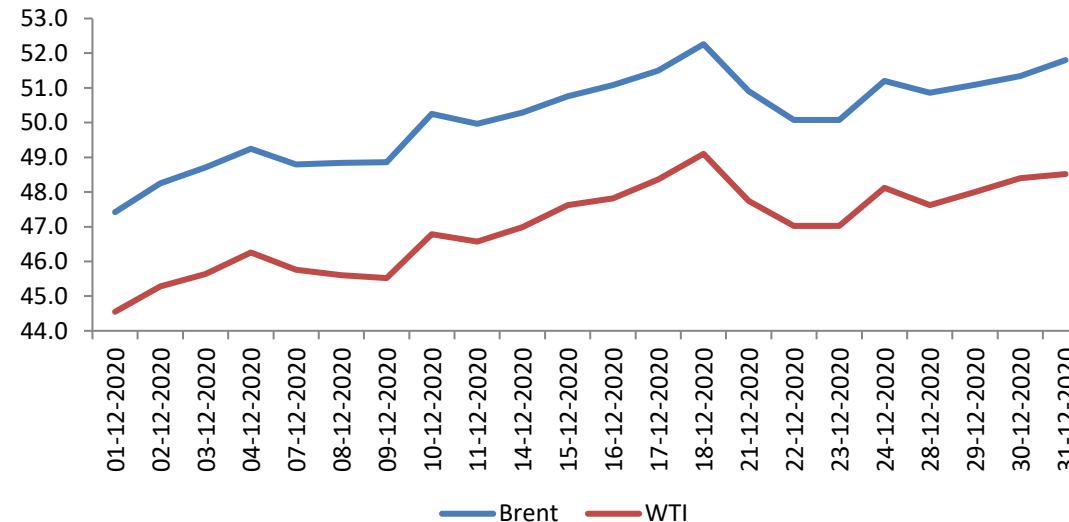
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Crude oil prices during December 2020

Chart 1: Daily Prices of Oil during December 2020 (Unit: USD/bbl)



Source: Bloomberg, ICE

The prices of Brent Crude and WTI have increased sharply by 14.1% and 13% during December 2020 as against the price prevailing during November 2020 but has declined by 25.3% and 21.1% as against the price prevailing during the same month in the previous financial year.

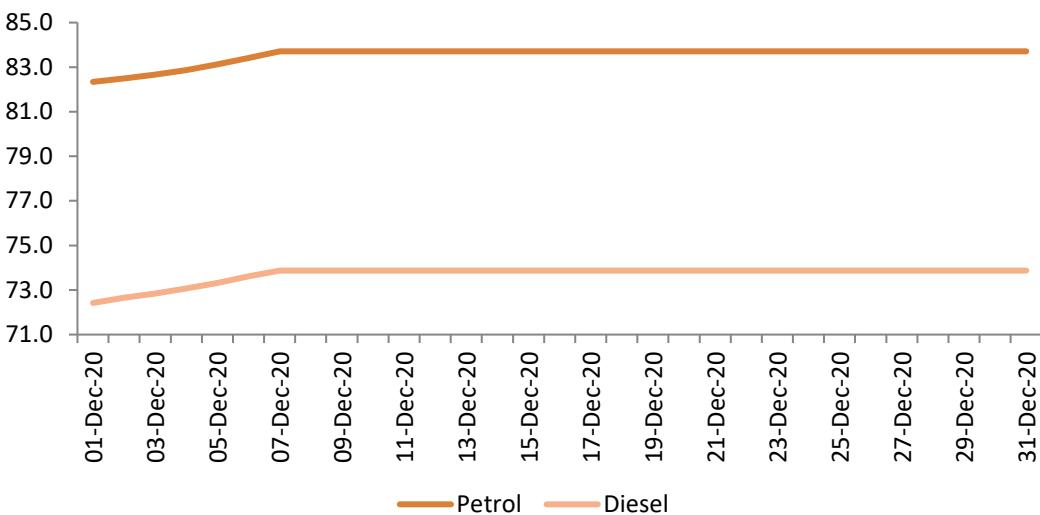
In the start of the month, oil prices rose with support from an OPEC+ deal and hopes for another round of U.S. stimulus. The cartel had agreed to slightly ease their deep oil output cuts from January suggesting recovery in demand going forward.

Oil prices also rose on optimism over economic recovery with the rollout of the vaccine by the US and UK government and the start of the vaccination drive. Tensions in the Middle East after an oil tanker explosion in Saudi Arabia too added on to the increase in oil prices.

However increase in COVID cases in the US and restrictions on movement which is demand negative, build-up in US inventories and Iran reporting to increase supply to its full capacity in the next 3 months have weighed on the prices. Crude oil prices also fell considerably as discovery of new and more infectious strain of the COVID-19 in UK (around 22nd December 2020) has raised fears and led to stricter lockdowns and travel bans by certain countries.

The year ended with oil prices rising as the US government signed the USD 900 billion stimulus package and with a final Brexit deal which is almost stabilized between Europe and the UK.

Chart 2: Daily Prices of Petrol and Diesel during November 2020 (Unit: Rs/ltr)



Source: PPAC

Current price of diesel in Delhi, Mumbai, Chennai and Kolkata, is Rs 73.87, Rs 80.51, Rs 79.21 and Rs 77.44 per litre, respectively.

Note: The prices of petrol and diesel are broadly determined by crude oil and forex rates. However, the retail rates vary from state to state due to local taxes.

Table 1: Price build-up of Petrol and Diesel at Delhi (Unit: Rs/ltr)

As on 01.01.2021	Petrol	Diesel
Price Charged to Dealers (excluding Excise Duty and VAT)	27.7	28.7
Excise Duty	33.0	31.8
Dealer Commission	3.7	2.5
VAT (includes VAT on dealer commission)	19.3	10.9
Retail Selling Price	83.7	73.9

Source: IOCL

In the month of December, prices of petrol and diesel had increased in the start of the month but then have remained static December 7th onwards. OMCs have gone on a pause mode amid a rise in crude oil prices which have breached the \$50 per barrel mark on the back of commencement of vaccination drives in several countries to counter the pandemic and expectations of a big pickup in demand.

Petrol price now is Rs 83.71 in Delhi and in Mumbai, Chennai and Kolkata, prices are unchanged at Rs 90.34, Rs 86.51 and Rs 85.19 per litre, respectively.

As per the latest available data on price build of petrol and diesel) the government is able to collect around 189% taxes, (Excise Duty and VAT) on the base price of petrol and 149% in the case of diesel (as on 1st January 2021).

Taxes now make up around 62% of the retail price of petrol 58% of the retail price of diesel (as on 1st January 2020).

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